



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 5, 2003

Draft language to increase the active-duty endstrength of the Army by 10,000 military personnel

As requested by Senator Jack Reed on September 29, 2003

SUMMARY

The draft language would increase the authorized active-duty endstrength of the Army by 10,000 military personnel. Under current law, the Army is authorized to maintain an endstrength of 480,000 active-duty personnel. As of August 31, 2003, those endstrength levels exceeded the authorized level by about 17,000 personnel for fiscal year 2003. Thus, under current law, the Army would be required to reduce its endstrength to the authorized level as quickly as possible in 2004. Measured relative to the endstrength level authorized under current law, CBO estimates that implementing this language could cost between \$300 million and \$500 million in 2004, depending on how the Army implemented this authority, and would grow to about \$900 million annually by 2006, assuming appropriation of the necessary amounts. Enacting this language would not affect direct spending or receipts.

This proposal would increase the costs of complying with existing intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandates would not exceed the thresholds established in UMRA (\$60 million in 2004 for intergovernmental mandates and \$120 million in 2004 for private-sector mandates, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

This proposal would increase the authorized active-duty endstrength of the Army by 10,000 military personnel and would require that these additional forces be used for such duties as military police, light infantry, civil affairs, and special forces. Under current law, the Army was authorized to maintain an endstrength of 480,000 active-duty personnel for 2003. Absent further legislation, the Army would have to reach that level as quickly as possible in 2004 and continue to maintain that level over the 2005-2008 period. CBO assumes that this

draft proposal would be attached as an amendment to legislation that will be enacted by December 1, 2003.

CBO cannot determine a precise cost for this proposal because the Army has not yet indicated how it might implement this authority. The Army could choose a number of approaches. For instance, the Army could meet the new authorized endstrength by retaining some current personnel (since the current force level is greater than 490,000). The most recent information available from the Department of Defense indicates that the Army had 496,668 active-duty servicemembers as of August 2003, almost 17,000 above the authorized level of 480,000. Current law allows the services to be as much as 3 percent above endstrength requirements if the Secretary of Defense determines that such action is in the national interest. The Army could keep many of its excess personnel under this proposal, in which case the costs of the additional personnel would be realized for most of the current fiscal year. On the other hand, the Army could choose to shed its excess personnel as quickly as possible and implement the new authority by increasing its recruiting efforts to bring in 5,000 extra recruits for each of the fiscal years 2004 and 2005 to fill new positions in military police, light infantry, special forces, and civil affairs units.

Absent information from the Army, CBO expects that the Army would use a combination of retention and recruiting to implement the new endstrength level. CBO estimates that approaches to implementing this authority that initially focus more on retention than recruiting and would cost between \$300 million and \$500 million in 2004 and that the cost would grow to \$900 million annually by 2006, assuming appropriation of the necessary amounts.

ESTIMATED INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This proposal would increase the costs of complying with existing intergovernmental and private-sector mandates as defined in UMRA. The 10,000 additional active-duty servicemembers would be eligible for protection under the Soldiers and Sailors Civil Relief Act (SSCRA). These protections include the right to maintain a single state of residence for purposes of state and local personal and income taxes and the right to request a deferral in the payment of certain state and local taxes and fees. It also requires creditors to reduce the interest rate on servicemembers' obligations to 6 percent when such obligations predate active-duty service and allows the courts to temporarily stay certain civil proceedings, such as evictions, foreclosures, and repossessions. These existing protections could result in lost revenues to government and private-sector entities and constitute intergovernmental and private-sector mandates.

This proposal would increase the number of active-duty servicemembers covered by SSCRA by less than 1 percent. Based on information from the Federation of Tax Administrators, we expect that relatively few of these servicemembers would take advantage of the deferrals in certain state and local tax payments and the lost revenues to those governments would be insignificant and would not exceed the threshold for intergovernmental mandates (\$60 million in 2004, adjusted annually for inflation).

CBO cannot determine precisely the increase in costs of the existing private-sector mandates because utilization of the provisions of the SSCRA would depend on how often these soldiers are deployed and how long they are deployed, which rests on uncertain policy decisions. However, we expect that costs would be unlikely to exceed UMRA's threshold for private-sector mandates (\$120 million in 2004, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: Michelle S. Patterson

Impact on State, Local, and Tribal Governments: Melissa Merrell

Impact on the Private Sector: Chad Goldberg

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis